

**CITY OF ELDRIDGE, IOWA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND**  
**QUESTIONED COSTS**

**JUNE 30, 2013**

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**CITY OF ELDRIDGE, IOWA  
OFFICIALS  
June 30, 2013**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marty O'Boyle	Mayor	January 2018
Brian Dockery	Council Member	January 2014
Steve Mohr	Council Member	January 2014
Bernie Peeters	Council Member	January 2016
Steve Puls	Council Member	January 2018
Adrian Blackwell	Council Member	January 2016
Frank King	Council Member	January 2018
Lynnelle Anderson	Utility Board Trustee	February 2014
Michael E. Ripperger	Utility Board Trustee	February 2015
Donald M. Stoltenberg	Utility Board Trustee	February 2017
Michael Anderson	Utility Board Trustee	February 2018
Brock Kroeger	Utility Board Trustee	February 2016
John R. Dowd	City Administrator	
James C. Martin	Assistant City Administrator	
Denise M. Benson	City Clerk	

## Independent Auditor's Report

The Honorable Mayor and  
Members of the City Council  
City of Eldridge, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa, as of and for the year ended June 30, 2013, and the notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Eldridge, Iowa, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with U.S. generally accepted accounting principles.

### Required Supplementary Information

### Supplementary Information

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2013 on our consideration of City of Eldridge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Audit Standards in considering City of Eldridge, Iowa's internal control over financial reporting and compliance.

Miner, Gilroy : Maud CPA PC

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**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

The City of Eldridge, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements.

**2013 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental program and activity revenues decreased \$440,872 or approximately 8.38% under the prior fiscal year. Program expenses of the City's governmental activities increased \$409,898 or approximately 7.20% over the prior fiscal year.
- Revenues of the City's business type activities remained fairly consistent to the prior year. Revenues decreased \$28,343 or approximately .43% under the prior fiscal year; and business type activities expenses increased \$176,542 or approximately 2.63% over the prior fiscal year.
- The City's total net position decreased \$1,564,738 or approximately 2.99% from June 30, 2012 to June 30, 2013. Of this amount, the net position after transfers of the governmental activities decreased \$1,240,307 and the net position after transfers of the business type activities decreased \$324,431 or approximately .72%.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Net Position and a Statement of Activities. These statements provide information about the activities of the City of Eldridge, Iowa as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplemental Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplemental Information provides detailed information about the City's nonmajor governmental funds and special revenue funds.

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

**REPORTING THE CITY'S FINANCIAL ACTIVITIES**

1) Government-wide Financial Statement

The Statement of Net Position and the Statement of Net Activities report all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Position and the Statement of Activities report two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and intergovernmental payments finance most of these activities.
- Business-type Activities include the water and electric utilities, sanitary sewer system, the community center, and the fitness center. These activities are financed primarily by user charges.

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

**REPORTING THE CITY'S FINANCIAL ACTIVITIES (CONTINUED)**

2) Fund Financial Statements

The City has two kinds of funds:

**Governmental funds** account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include the General Fund; the Special Revenue Funds, such as Road Use Tax, Sales Tax Projects, Hotel Tax, and TIF funds; Capital Project funds of Capital Improvement and Street Projects; and Debt Service. These funds are reported using the current financial resources measurement focus and modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balance. Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

**Proprietary funds** account for the services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. Proprietary funds include the Electric Fund, Water Fund, Sewer Fund, Community Center Fund and Fitness Center Fund, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for governmental and business type activities.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current and other assets	\$ 5,443,920	\$ 5,040,815	\$ 7,714,153	\$ 6,860,545	\$13,158,073	\$11,901,360
Capital assets	<u>6,894,543</u>	<u>8,798,095</u>	<u>39,927,296</u>	<u>41,404,334</u>	<u>46,821,839</u>	<u>50,202,429</u>
Total assets	<u>12,338,463</u>	<u>13,838,910</u>	<u>47,641,449</u>	<u>4,8681,414</u>	<u>59,979,912</u>	<u>62,103,789</u>
Other liabilities	2,074,457	1,939,746	267,216	189,979	2,341,673	2,129,725
Long-term liabilities	<u>4,178,994</u>	<u>4,573,845</u>	<u>2,816,175</u>	<u>3,192,411</u>	<u>6,995,169</u>	<u>7,766,256</u>
Total liabilities	<u>6,253,451</u>	<u>6,513,591</u>	<u>3,083,391</u>	<u>3,382,390</u>	<u>9,336,842</u>	<u>9,895,981</u>
Net position:						
Invested in capital assets, net of related debt	2,879,543	4,448,095	37,230,633	38,384,468	40,110,176	42,832,563
Restricted	1,505,841	1,004,622	420,575	420,575	1,926,416	1,425,197
Unrestricted	<u>1,699,628</u>	<u>1,872,602</u>	<u>6,906,850</u>	<u>6,077,446</u>	<u>8,606,478</u>	<u>7,950,048</u>
Total net position	<u>\$ 6,085,012</u>	<u>\$ 7,325,319</u>	<u>\$ 44,558,058</u>	<u>\$44,882,489</u>	<u>\$50,643,070</u>	<u>\$52,207,808</u>

Net position of governmental activities decreased \$1,240,307 or approximately 16.93%. Net position of business type activities decreased \$324,431 or approximately .72%. The largest portion of the City's net position was invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represent resources subject to external restrictions. Unrestricted net position, the part of the net position that can be used to finance day-to-day operations, is \$8,606,478 at the end of this year, compared to \$7,950,048 in the prior fiscal year.

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Revenues:						
Charges for service	\$ 652,583	\$ 614,894	\$ 6,552,975	\$ 6,523,512	\$ 7,205,558	\$ 7,138,406
Capital grants and contributions	29,463	581,838	-	-	29,463	581,838
General revenues:						
Property tax levied for:						
General purpose	1,832,392	1,734,766	-	-	1,832,392	1,734,766
Debt service	37,062	37,427	-	-	37,062	37,427
Tax increment financing	790,596	789,653	-	-	790,596	789,653
Franchise tax	46,686	47,354	-	-	46,686	47,354
Road use tax	541,173	536,004	-	-	541,173	536,004
Local option sales tax	803,187	784,812	-	-	803,187	784,812
Assessments	3,837	5,201	-	-	3,837	5,201
Interest on investments	2,793	2,410	7,798	9,574	10,591	11,984
Miscellaneous	<u>77,846</u>	<u>124,131</u>	<u>30,171</u>	<u>29,515</u>	<u>108,017</u>	<u>153,646</u>
Total	<u>4,817,618</u>	<u>5,258,490</u>	<u>6,590,944</u>	<u>6,562,601</u>	<u>11,408,562</u>	<u>11,821,091</u>
Program expense						
Public safety	941,347	924,171	-	-	941,347	924,171
Public works	4,015,598	3,636,403	-	-	4,015,598	3,636,403
Culture and recreation	455,533	339,026	-	-	455,533	339,026
Community and economic development	173,309	241,889	-	-	173,309	241,889
General government	358,573	382,340	-	-	358,573	382,340
Interest on long-term debt	153,509	161,898	123,533	134,856	277,042	296,754
Electric	-	-	4,119,528	4,044,991	4,119,528	4,044,991
Water	-	-	741,824	727,323	741,824	727,323
Sewer	-	-	1,376,752	1,197,005	1,376,752	1,197,005
Community center	-	-	266,001	262,553	266,001	262,553
Fitness center	-	-	245,537	255,155	245,537	255,155
Loss on disposition of assets	<u>2,256</u>	<u>4,500</u>	<u>-</u>	<u>74,750</u>	<u>2,256</u>	<u>79,250</u>
Total	<u>6,100,125</u>	<u>5,690,227</u>	<u>6,873,175</u>	<u>6,696,633</u>	<u>12,973,300</u>	<u>12,386,860</u>
Changes in net position						
Before transfers	(1,282,507)	(431,737)	(282,231)	(134,032)	(1,564,738)	(565,769)
Transfers	42,200	27,100	(42,200)	(27,100)	-	-
Net position, beginning of year	<u>7,325,319</u>	<u>7,729,956</u>	<u>44,882,489</u>	<u>45,043,621</u>	<u>52,207,808</u>	<u>52,773,577</u>
Net position, end of year	<u>\$ 6,085,012</u>	<u>\$ 7,325,319</u>	<u>\$44,558,058</u>	<u>\$44,882,489</u>	<u>\$50,643,070</u>	<u>\$52,207,808</u>

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

Net position of governmental activities decreased \$1,240,307 during the year. Revenues for governmental activities decreased by \$440,872 over the prior year. This decrease was attributable to approximate decreases in capital grants of \$552,000 and miscellaneous revenue of \$46,000, which were offset by approximate smaller increases in charges for services of \$38,000, property taxes of \$98,000, and road use tax revenues of \$18,000. All other revenue sources remained fairly constant in comparison to the prior year.

The cost of all governmental activities this year increased by \$409,898, from \$5,690,227 to \$6,100,125 this year. This resulted in a 7.20% increase over the prior year. Increases in public safety, public works, and culture and recreation expenses was responsible for this increase.

Net position of business type activities decreased by \$324,431 or 7.22% from the prior year. Charges for services totaled approximately \$6.5 million, increasing \$29,463 over the prior year charges. However, increases in the operating expenses resulted in the overall decrease in net position. Despite increases in net position in the Electric and Water funds; Sewer, Community Center, and Fitness Center funds experienced decreases in their net position.

**INDIVIDUAL MAJOR FUND ANALYSIS**

**Governmental fund Highlights**

As the City of Eldridge completed the year, its governmental funds reported a combined fund balance of \$3,369,463, which is greater than the \$3,048,353 total fund balance at June 30, 2012. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund showed a decrease in fund balance of \$71,422 from the prior year to \$1,247,202. While revenues increased by \$193,654 or 7.90% to \$2,642,747, expenditures increased by \$307,664 or 12.74% to \$2,720,969 over the prior year. Other financing sources remained the same in comparison to the prior year.

The Special Revenue, Road Use Tax Fund that accounts for road construction and maintenance, had a decrease in fund balance of \$337,090 at June 30, 2013, attributable to large capital project expenditures in the current year. The Road Use Tax Fund ended fiscal year 2013 with a \$91,748 fund balance compared to the prior year's ending fund balance of \$428,838.

The Special Revenue, Sales Tax Projects Fund accounts for the tax revenues and the capital improvements, purchases of equipment and community programs and services for which they are used. This fund had an increase of \$474,729 in fund balance at June 30, 2013, in comparison to the prior year's decrease of \$204,328. Decreases in capital projects in comparison to the prior year accounted for this change. Transfers out to operating funds decreased by \$6,000 to \$234,000 in the current year.

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

**INDIVIDUAL MAJOR FUND ANALYSIS (CONTINUED)**

**Proprietary Fund Highlights**

The Enterprise, Electric Fund, which accounts for the operation and maintenance of the City's electric system, had a net position of \$19,350,994 at June 30, 2013 compared to a net position of \$19,097,607 at June 30, 2012.

The Enterprise, Water Fund, which accounts for the operation and maintenance of the City's water system, had a net position of \$8,009,730 at June 30, 2013 compared to a net position of \$7,862,704 at June 30, 2012.

The Enterprise, Sewer Fund, which accounts for the operation and maintenance of the City's sewer system, had a net position of \$15,705,376 at June 30, 2013 compared to a net position of \$16,404,553 at June 30, 2012.

The Enterprise, Community Center Fund, which accounts for the operation of the City's Community Center, had a net position of \$828,813 at June 30, 2013 compared to a net position of \$843,351 at June 30, 2012.

The Enterprise, Fitness Center fund, which accounts for the operation of the City's Fitness Center, had a net position of \$663,145 at June 30, 2013 compared to net assets of \$674,274 at June 30, 2012.

**BUDGETARY HIGHLIGHTS**

On December 3, 2012, and May 20, 2013, the City amended its budget to cover unplanned disbursements in public safety, public works, culture and recreation, community and economic development, general government, capital projects, and business type activities. The City's receipts were \$325,527 less than amended budgeted receipts, an unfavorable variance of 2.74%. The most significant variances resulted from charges for services and miscellaneous budgeted revenues. The budget also included investment income, miscellaneous income, and charges for services for the proprietary funds in addition to the governmental funds.

The City's disbursements were \$3,202,416 less than amended budgeted disbursements, a favorable variance of 23.67%. The largest variances were in public works, culture & recreation, capital projects, and business type activities. The City did not exceed budgeted disbursements in any function area for the year ended June 30, 2013.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

The city's capital assets include land, infrastructure, buildings, equipment and vehicles. Capital assets of governmental activities totaled \$6,894,543 net of accumulated depreciation, at June 30, 2013. Capital assets of business type activities totaled \$39,927,296, net of accumulated depreciation, at June 30, 2013, See note 3 to the financial statements for more information about the City's capital assets.

**CITY OF ELDRIDGE, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

Long-Term Debt

At June 30, 2013, the City had \$4,096,976 in total long-term debt outstanding for governmental activities. The City also had \$2,754,503 in total long-term debt outstanding for business type activities. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Eldridge, Iowa remains in a good position to continue operations into the next fiscal year. Taxable values have increased along with the estimated levy rates. These increases will provide sufficient property tax dollars for future operations. The projected tax levy rates per \$1,000 of taxable value for the 2013-2014 fiscal year are:

<u>Tax Levy Purpose</u>	<u>Estimated Levy Rate</u>
Regular General Levy	\$ 6.52
Tort Liability Levy	.11
Debt Service Levy	.12
Total Tax Levy	<u>\$ 6.75</u>
Agricultural Land Levy	<u>\$ 2.68</u>

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact either the City Clerk or the City Administrator at City Hall, 305 N. Third Street, Eldridge, Iowa, 52748 or by telephone at 563-285-4841.

John R. Dowd  
City Administrator

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ELDRIDGE, IOWA**  
**STATEMENT OF NET POSITION**  
June 30, 2013

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 3,291,990	\$ 5,900,120	\$ 9,192,110
Receivables:			
Property tax			
Current year	6,434	-	6,434
Succeeding year	1,945,754	-	1,945,754
Other tax	86,503	-	86,503
Customer accounts and unbilled usage	-	447,292	447,292
Other	24,840	-	24,840
Inventories	32,598	484,732	517,330
Prepaid insurance	55,801	54,217	110,018
Restricted cash and investments	-	827,792	827,792
Capital assets, net of accumulated depreciation	6,894,543	39,927,296	46,821,839
	<u>12,338,463</u>	<u>47,641,449</u>	<u>59,979,912</u>
Total assets			
<b>LIABILITIES</b>			
Accounts payable	22,826	120,799	143,625
Accrued interest payable	16,959	9,377	26,336
Salaries and benefits payable	25,374	19,372	44,746
Accrued expenses	1,270	59,999	61,269
Compensated absences	62,271	57,669	119,940
Deferred revenue:			
Succeeding year property tax	1,945,757	-	1,945,757
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	57,840	57,840
Capital lease	26,163	-	26,163
General obligation bonds and notes	380,000	-	380,000
Revenue bonds	-	340,000	340,000
Note payable	-	1,663	1,663
Portion due or payable after one year:			
Capital lease	55,813	-	55,813
General obligation bonds and notes	3,635,000	-	3,635,000
Revenue bonds	-	2,355,000	2,355,000
Note payable	-	-	-
Compensated absences	82,018	61,672	143,690
	<u>6,253,451</u>	<u>3,083,391</u>	<u>9,336,842</u>
Total liabilities			
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,879,543	37,230,633	40,110,176
Restricted for:			
Capital projects	1,067,256	-	1,067,256
Community programs and services	43,821	-	43,821
Debt service	30,463	-	30,463
Revenue bonds retirement	-	420,575	420,575
Urban renewal	364,301	-	364,301
Unrestricted	1,699,628	6,906,850	8,606,478
	<u>\$ 6,085,012</u>	<u>\$ 44,558,058</u>	<u>\$ 50,643,070</u>
Total net position			

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2013**

FUNCTIONS/PROGRAMS	Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions
Governmental activities:			
Public safety	\$ 941,347	\$ 153,583	\$ 8,297
Public works	4,015,598	260,529	-
Culture and recreation	455,533	83,606	18,206
Community and economic development	173,309	2,000	-
General government	358,573	152,865	2,960
Interest on long-term debt	153,509	-	-
Total governmental activities	6,097,869	652,583	29,463
Business type activities:			
Electric	4,119,528	4,474,446	-
Water	741,824	879,181	-
Sewer	1,376,752	732,419	-
Community center	266,001	248,677	-
Fitness center	245,537	218,252	-
Interest on long-term debt	123,533	-	-
Total business type activities	6,873,175	6,552,975	-
<b>TOTAL</b>	<b>\$ 12,971,044</b>	<b>\$ 7,205,558</b>	<b>\$ 29,463</b>

General revenues:  
Property tax levied for:  
General purpose  
Debt service  
Tax increment financing  
Franchise tax  
Road use tax  
Local option sales tax  
Assessments  
Interest on investments  
Transfers  
Miscellaneous  
Gain on disposition of assets  
Total general revenues

**CHANGES IN NET POSITION**

**NET POSITION, BEGINNING OF YEAR**

**NET POSITION, END OF YEAR**

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (779,467)	-	\$ (779,467)
(3,755,069)	-	(3,755,069)
(353,721)	-	(353,721)
(171,309)	-	(171,309)
(202,748)	-	(202,748)
(153,509)	-	(153,509)
<u>(5,415,823)</u>	<u>-</u>	<u>(5,415,823)</u>
-	354,918	354,918
-	137,357	137,357
-	(644,333)	(644,333)
-	(17,324)	(17,324)
-	(27,285)	(27,285)
-	(123,533)	(123,533)
<u>-</u>	<u>(320,200)</u>	<u>(320,200)</u>
<u>\$ (5,415,823)</u>	<u>\$ (320,200)</u>	<u>\$ (5,736,023)</u>
1,832,392	-	1,832,392
37,062	-	37,062
790,596	-	790,596
46,686	-	46,686
541,173	-	541,173
803,187	-	803,187
3,837	-	3,837
2,793	7,798	10,591
42,200	(42,200)	-
77,846	30,171	108,017
(2,256)	-	(2,256)
<u>4,175,516</u>	<u>(4,231)</u>	<u>4,171,285</u>
(1,240,307)	(324,431)	(1,564,738)
<u>7,325,319</u>	<u>44,882,489</u>	<u>52,207,808</u>
<u>\$ 6,085,012</u>	<u>\$ 44,558,058</u>	<u>\$ 50,643,070</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2013**

		Special Revenue		Other	
	General	Road Use Tax	Sales Tax	Nonmajor	Total All
	Fund	Fund	Projects	Governmental	Funds
			Fund	Funds	
<b>ASSETS</b>					
Cash and investments	\$ 1,231,198	\$ 163,962	\$ 924,923	\$ 971,907	\$ 3,291,990
Receivables:					
Property tax				-	
Current year	6,941	-	-	(507)	6,434
Succeeding year	1,905,948	-	-	39,806	1,945,754
Other tax	-	-	86,503	-	86,503
Other	24,840	-	-	-	24,840
Inventories	32,598	-	-	-	32,598
Prepaid insurance	55,801	-	-	-	55,801
Due from other funds	-	-	60,615	10,021	70,636
<b>TOTAL ASSETS</b>	<b>\$ 3,257,326</b>	<b>\$ 163,962</b>	<b>\$ 1,072,041</b>	<b>\$ 1,021,227</b>	<b>\$ 5,514,556</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 9,825	\$ 11,599	\$ 200	\$ 1,202	\$ 22,826
Accrued interest payable	-	-	-	16,959	16,959
Salaries and benefits payable	25,374	-	-	-	25,374
Accrued expenses	1,270	-	-	-	1,270
Due to other funds	5,436	60,615	4,585	-	70,636
Deferred revenue:					
Succeeding year property tax	1,905,948	-	-	39,809	1,945,757
Compensated absences	62,271	-	-	-	62,271
Total liabilities	2,010,124	72,214	4,785	57,970	2,145,093
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories and prepaid insurance	88,399	-	-	-	88,399
Restricted for:					
Capital projects	-	-	1,067,256	-	1,067,256
Community programs and services	-	-	-	43,821	43,821
Debt service	-	-	-	30,463	30,463
Urban renewal	-	-	-	364,301	364,301
Committed for:					
Capital projects	-	-	-	524,672	524,672
General equipment replacement	186,637	-	-	-	186,637
Unassigned	972,166	91,748	-	-	1,063,914
Total fund balances	1,247,202	91,748	1,067,256	963,257	3,369,463
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,257,326</b>	<b>\$ 163,962</b>	<b>\$ 1,072,041</b>	<b>\$ 1,021,227</b>	<b>\$ 5,514,556</b>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2013**

Total governmental fund balance (page 15) \$ 3,369,463

*Amounts reported for governmental activities in the statement of net position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$29,403,797 and the accumulated depreciation is \$22,509,254.

6,894,543

Long-term liabilities, including bonds payable, capital leases, and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

(4,178,994)

Net position of governmental activities (page 12)

\$ 6,085,012

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2013**

	Special Revenue			Other	
	General	Road Use Tax	Sales Tax	Nonmajor	Total All
	Fund	Fund	Projects	Governmental	Funds
			Fund	Funds	
<b>REVENUES</b>					
Property tax	\$ 1,832,392	\$ -	\$ -	\$ 37,062	\$ 1,869,454
Tax increment financing	-	-	-	790,596	790,596
Other taxes	46,686	-	763,034	43,990	853,710
Licenses and permits	124,631	-	-	-	124,631
Rent	47,249	-	-	-	47,249
Intergovernmental	3,745	541,173	18,206	-	563,124
Charges for services	527,952	-	-	-	527,952
Interest on investments	2,793	-	-	-	2,793
Miscellaneous	57,299	-	-	2,360	59,659
Total revenues	<u>2,642,747</u>	<u>541,173</u>	<u>781,240</u>	<u>874,008</u>	<u>4,839,168</u>
<b>EXPENDITURES</b>					
Operating:					
Public safety	961,658	-	-	-	961,658
Public works	733,958	70,497	-	-	804,455
Culture and recreation	372,264	-	-	3,000	375,264
Community and economic development	71,127	-	-	102,182	173,309
General government	330,315	-	3,358	-	333,673
Debt service	-	-	-	513,574	513,574
Capital projects	251,647	996,481	69,153	81,044	1,398,325
Total expenditures	<u>2,720,969</u>	<u>1,066,978</u>	<u>72,511</u>	<u>699,800</u>	<u>4,560,258</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER (UNDER) EXPENDITURES</b>	<u>(78,222)</u>	<u>(525,805)</u>	<u>708,729</u>	<u>174,208</u>	<u>278,910</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	6,800	213,715	-	741,160	961,675
Operating transfers out	-	(25,000)	(234,000)	(660,475)	(919,475)
Total other financing sources (uses)	<u>6,800</u>	<u>188,715</u>	<u>(234,000)</u>	<u>80,685</u>	<u>42,200</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(71,422)</u>	<u>(337,090)</u>	<u>474,729</u>	<u>254,893</u>	<u>321,110</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,318,624</u>	<u>428,838</u>	<u>592,527</u>	<u>708,364</u>	<u>3,048,353</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,247,202</u>	<u>\$ 91,748</u>	<u>\$ 1,067,256</u>	<u>\$ 963,257</u>	<u>\$ 3,369,463</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2013**

Net change in fund balances - total governmental funds (page 17) \$ 321,110

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Depreciation expense	(2,168,904)	
Expenditures for capital assets	289,158	
		(1,879,746)

Gain (loss) on sales of assets are not reported net of the asset's adjusted basis:

Proceeds from the sale of assets	(21,550)	
Loss on sale of assets	(2,256)	
		(23,806)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Current year repayments, as follows:

Bond principal	335,000	
Lease payment	25,065	
Compensated absences	(17,930)	
		342,135

Changes in net position of governmental activities (page 14)	\$ (1,240,307)

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**STATEMENTS OF NET POSITION - PROPRIETY FUND**  
**June 30, 2013**

	<u>Electric Fund</u>	<u>Water Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 4,373,664	\$ 684,789
Receivables:		
Customer accounts and unbilled usage	291,396	79,301
Inventories	321,288	15,172
Prepaid insurance	22,910	7,637
Restricted assets:		
Cash and investments	638,918	188,874
Capital assets, net of accumulated depreciation	<u>16,230,923</u>	<u>7,494,689</u>
Total assets	<u>21,879,099</u>	<u>8,470,462</u>
<b>LIABILITIES</b>		
Accounts payable	19,866	19,723
Salaries and benefits payable	5,056	2,635
Accrued expenses	59,999	-
Payable from restricted assets:		
Customer deposits	40,479	17,361
Revenue bonds	240,000	100,000
Accrued interest payable	8,364	1,013
Note payable	-	-
Compensated absences	57,669	-
Long-term liabilities:		
Revenue bonds	2,035,000	320,000
Compensated absences	<u>61,672</u>	<u>-</u>
Total liabilities	<u>2,528,105</u>	<u>460,732</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	13,955,923	7,074,689
Restricted for:		
Revenue bonds retirement	350,075	70,500
Unrestricted:		
Designated for:		
Equipment replacement	365,081	239,560
Capital projects	100,000	-
Undesignated	<u>4,579,915</u>	<u>624,981</u>
Total net position	<u>\$ 19,350,994</u>	<u>\$ 8,009,730</u>

<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Fitness Center Fund</u>	<u>Total All Funds</u>
\$ 728,184	\$ 48,668	\$ 64,815	\$ 5,900,120
76,595	-	-	447,292
141,381	5,471	1,420	484,732
16,159	5,368	2,143	54,217
-	-	-	827,792
<u>14,828,807</u>	<u>771,327</u>	<u>601,550</u>	<u>39,927,296</u>
<u>15,791,126</u>	<u>830,834</u>	<u>669,928</u>	<u>47,641,449</u>
80,864	281	65	120,799
4,886	1,740	5,055	19,372
-	-	-	59,999
-	-	-	57,840
-	-	-	340,000
-	-	-	9,377
-	-	1,663	1,663
-	-	-	57,669
-	-	-	2,355,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>61,672</u>
<u>85,750</u>	<u>2,021</u>	<u>6,783</u>	<u>3,083,391</u>
14,828,807	771,327	599,887	37,230,633
-	-	-	420,575
122,597	-	-	727,238
-	-	-	100,000
<u>753,972</u>	<u>57,486</u>	<u>63,258</u>	<u>6,079,612</u>
<u>\$ 15,705,376</u>	<u>\$ 828,813</u>	<u>\$ 663,145</u>	<u>\$ 44,558,058</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION - PROPRIETARY FUNDS**  
**Year Ended June 30, 2013**

	<u>Electric Fund</u>	<u>Water Fund</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 4,474,446	\$ 879,181
Miscellaneous	192	26,293
Total operating revenues	<u>4,474,638</u>	<u>905,474</u>
<b>OPERATING EXPENSES</b>		
Business type activities:		
Cost of sales and services	3,604,985	479,295
Depreciation	514,543	262,529
Total operating expenses	<u>4,119,528</u>	<u>741,824</u>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	<u>355,110</u>	<u>163,650</u>
<b>OTHER INCOME (EXPENSE)</b>		
Interest on investments	4,552	455
Interest expense	(109,375)	(13,979)
Total other revenues (expenses)	<u>(104,823)</u>	<u>(13,524)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfer in	3,100	-
Operating transfer out	-	(3,100)
Total other financing sources (uses)	<u>3,100</u>	<u>(3,100)</u>
<b>NET INCOME (LOSS)</b>	253,387	147,026
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>19,097,607</u>	<u>7,862,704</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 19,350,994</u></u>	<u><u>\$ 8,009,730</u></u>

<b>Sewer Fund</b>	<b>Community Center Fund</b>	<b>Fitness Center Fund</b>	<b>Total All Funds</b>
\$ 732,419	\$ 248,677	\$ 218,252	\$ 6,552,975
123	2,228	1,335	30,171
<u>732,542</u>	<u>250,905</u>	<u>219,587</u>	<u>6,583,146</u>
663,448	236,066	225,341	5,209,135
713,304	29,935	20,196	1,540,507
<u>1,376,752</u>	<u>266,001</u>	<u>245,537</u>	<u>6,749,642</u>
<u>(644,210)</u>	<u>(15,096)</u>	<u>(25,950)</u>	<u>(166,496)</u>
2,233	558	-	7,798
-	-	(179)	(123,533)
<u>2,233</u>	<u>558</u>	<u>(179)</u>	<u>(115,735)</u>
-	-	15,000	18,100
<u>(57,200)</u>	<u>-</u>	<u>-</u>	<u>(60,300)</u>
<u>(57,200)</u>	<u>-</u>	<u>15,000</u>	<u>(42,200)</u>
(699,177)	(14,538)	(11,129)	(324,431)
<u>16,404,553</u>	<u>843,351</u>	<u>674,274</u>	<u>44,882,489</u>
<u>\$ 15,705,376</u>	<u>\$ 828,813</u>	<u>\$ 663,145</u>	<u>\$ 44,558,058</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**Year Ended June 30, 2013**

	<u>Electric Fund</u>	<u>Water Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 4,510,159	\$ 901,616
Cash received from other revenues	192	26,293
Cash paid for personal services	(330,968)	(163,939)
Cash paid to suppliers	(3,261,574)	(297,045)
Net cash provided (used) by operating activities	<u>917,809</u>	<u>466,925</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Advances from other funds, net of advance repayments	<u>3,100</u>	<u>(3,100)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</b>		
Acquisition of capital assets	(20,384)	(20,384)
Principal paid on revenue bonds and capital leases	(225,000)	(95,000)
Interest paid on revenue bonds and capital leases	(110,194)	(14,146)
Net cash provided (used) by capital and related financing activities	<u>(355,578)</u>	<u>(129,530)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>4,552</u>	<u>455</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	569,883	334,750
<b>CASH AND INVESTMENTS, BEGINNING OF YEAR</b>	<u>4,442,699</u>	<u>538,913</u>
<b>CASH AND INVESTMENTS, END OF YEAR</b>	<u>\$ 5,012,582</u>	<u>\$ 873,663</u>

<b>Sewer Fund</b>	<b>Community Center Fund</b>	<b>Fitness Center Fund</b>	<b>Total All Funds</b>
\$ 723,877	\$ 248,677	\$ 218,252	\$ 6,602,581
123	2,228	1,335	30,171
(265,891)	(132,624)	(130,901)	(1,024,323)
(415,458)	(104,576)	(91,045)	(4,169,698)
<u>42,651</u>	<u>13,705</u>	<u>(2,359)</u>	<u>1,438,731</u>
 (57,200)	 -	 15,000	 (42,200)
 (22,700)	 -	 -	 (63,468)
-	-	(3,203)	(323,203)
-	-	(179)	(124,519)
<u>(22,700)</u>	<u>-</u>	<u>(3,382)</u>	<u>(511,190)</u>
 2,233	 558	 -	 7,798
(35,016)	14,263	9,259	893,139
<u>763,200</u>	<u>34,405</u>	<u>55,556</u>	<u>5,834,773</u>
<u>\$ 728,184</u>	<u>\$ 48,668</u>	<u>\$ 64,815</u>	<u>\$ 6,727,912</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)**  
**Year Ended June 30, 2013**

	<u>Electric Fund</u>	<u>Water Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 355,110	\$ 163,650
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	514,543	262,529
(Increase) decrease in customer accounts and unbilled usage receivable	35,713	22,499
(Increase) decrease in inventories	850	61
(Increase) decrease in prepaid insurance	(1,820)	(606)
(Increase) decrease in other assets	819	(11)
Increase (decrease) in accounts payable	4,906	19,733
Increase (decrease) in accrued wages	256	(74)
Increase (decrease) in accrued expenses	1,939	-
Increase (decrease) in customer deposits	(334)	(856)
Increase (decrease) in compensated absences	5,827	-
Net cash provided (used) by operating activities	<u>\$ 917,809</u>	<u>\$ 466,925</u>
Reconciliation of cash and investments at year end to specific assets included in the statement of net position:		
Current assets:		
Cash and investments	4,373,664	684,789
Restricted assets:		
Cash and investments:		
Revenue bonds retirement	598,439	171,513
Customer deposits	40,479	17,361
Cash and investments, end of year	<u>\$ 5,012,582</u>	<u>\$ 873,663</u>

<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Fitness Center Fund</u>	<u>Total All Funds</u>
\$ (644,210)	\$ (15,096)	\$ (25,950)	\$ (166,496)
713,304	29,935	20,196	1,540,507
(8,542)	-	-	49,670
(7,278)	(1,388)	543	(7,212)
(2,543)	95	1,948	(2,926)
-	-	-	808
(9,057)	282	64	15,928
977	(123)	840	1,876
-	-	-	1,939
-	-	-	(1,190)
-	-	-	5,827
<u>\$ 42,651</u>	<u>\$ 13,705</u>	<u>\$ (2,359)</u>	<u>\$ 1,438,731</u>
728,184	48,668	64,815	5,900,120
-	-	-	769,952
-	-	-	57,840
<u>\$ 728,184</u>	<u>\$ 48,668</u>	<u>\$ 64,815</u>	<u>\$ 6,727,912</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

The City of Eldridge, Iowa (the City) is a political subdivision of the State of Iowa located in Scott County and operates under the Home rule provisions of the constitution of Iowa. The City also operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, recreation, community and economic development, and general governmental services. The City also provides electric, water, sewer and sanitation utilities.

The financial statements of the City of Eldridge, Iowa have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the City of Eldridge, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. Under these criteria, it has been determined that the City has no component units for which it is financially accountable.

Basis of Presentation

**Government-wide Financial Statements** - The Statement of Net Position and the Statement of Activities report information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues included 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the General Fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid through other funds.

Special Revenue Funds - The Road Use Tax Fund is used to account for road construction and maintenance. The Sales Tax Projects Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The City reports the following major proprietary funds:

*Enterprise:*

Electric Fund - The Electric fund is used to account for the operation and maintenance of the City's electric system.

Water Fund - The Water Fund is used to account for the operation and maintenance of the City's water system.

Sewer Fund - The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

Community Center Fund - The Community Center Fund is used to account for the operation of the City's community center.

Fitness Center Fund - The Fitness Center Fund is used to account for the operation of the City's fitness center.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenue.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

Cash and Investments

For purposes of financial reporting and the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments with an original maturity of greater than three months that can be redeemed anytime before maturity are also considered to be cash equivalents. Investments consist of certificates of deposit and are carried at cost, which approximates market.

Property Tax Receivable, Including Tax Increment Financing

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting,

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2013 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purpose set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.5% per month penalty for delinquent payments, are based on January 1, 2011 assessed property valuations, are for the tax accrual period July 1, 2012 through June 30, 2013 and reflect tax asking contained in the budget certified to the County Board of Supervisors in March 2012.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Customer Accounts and Unbilled Usage

Customer accounts receivable are recorded in proprietary funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due To Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Inventories in the proprietary funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets

Restricted assets of cash and investments set aside in proprietary funds for payment of revenue bonds are classified as restricted assets since their use is restricted by applicable bond covenants. Other restricted assets in proprietary funds include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs not adding to the value of the asset or materially extending assets lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, building and improvements	\$ 25,000
Equipment and vehicles	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40-50 years
Improvements other than buildings	10-25 years
Vehicles	6-10 years
Equipment	4-15 years
Infrastructure	12-50 years

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave, personal leave and compensatory time benefits. Vacation benefits must be used during employment. Sick leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon retirement or disability. Personal leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon leaving the City's employment unless terminated for cause. Compensatory time benefits may be used during employment or accumulated up to the maximum hour limit established by the City for payment upon leaving the City's employment.

A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The governmental funds financial statements report a liability for accrued vacation, accrued personal leave and accrued compensatory time only. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the City Administrator.

Unassigned - All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements did not exceed the amount budgeted in any of the function line items.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 2 - CASH AND INVESTMENTS**

Deposit Accounts

The City's cash and investments at June 30, 2013 consist of the following:

Petty cash fund on hand	\$ 830
Checking accounts	4,366,808
Money market accounts	3,752,264
Certificates of deposit	1,900,000
Total	<u>\$10,019,902</u>

At June 30, 2013, the carrying amount of the City's deposits was \$10,019,902 and the related bank balance was \$10,082,281.

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Investments

The City is authorized by state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
<b>Governmental activities</b>				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	<u>1,255,500</u>	<u>-</u>	<u>-</u>	<u>1,255,500</u>
Total	<u>1,255,500</u>	<u>-</u>	<u>-</u>	<u>1,255,500</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,607,834	-	-	1,607,834
Equipment and vehicles	1,363,243	310,746	128,789	1,545,200
Infrastructure, road network	<u>24,995,263</u>	<u>-</u>	<u>-</u>	<u>24,995,263</u>
Total	<u>27,966,340</u>	<u>310,746</u>	<u>128,789</u>	<u>28,148,297</u>
Less accumulated depreciation	<u>20,423,745</u>	<u>2,168,904</u>	<u>83,395</u>	<u>22,509,254</u>
Net	<u>7,542,595</u>	<u>(1,858,158)</u>	<u>(45,394)</u>	<u>5,639,043</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 8,798,095</b></u>	<u><b>\$ (1,858,158)</b></u>	<u><b>\$ (45,394)</b></u>	<u><b>\$ 6,894,543</b></u>
<b>Business type activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	<u>\$ 120,000</u>	<u>-</u>	<u>-</u>	<u>\$ 120,000</u>
<i>Capital assets being depreciated:</i>				
Buildings	35,544,875	-	-	35,544,875
Equipment and vehicles	1,459,137	80,524	31,650	1,508,011
Infrastructure	<u>17,493,305</u>	<u>-</u>	<u>-</u>	<u>17,493,305</u>
Total	<u>54,497,317</u>	<u>80,524</u>	<u>31,650</u>	<u>54,546,191</u>
Less accumulated depreciation	<u>13,212,982</u>	<u>1,540,507</u>	<u>14,594</u>	<u>14,738,895</u>
Net	<u>41,284,335</u>	<u>(1,459,983)</u>	<u>(17,056)</u>	<u>39,807,296</u>
<b>Business type activities capital assets, net</b>	<u><b>\$ 41,404,335</b></u>	<u><b>\$ (1,459,983)</b></u>	<u><b>\$ (17,056)</b></u>	<u><b>\$ 39,927,296</b></u>

**CITY OF ELDRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 3 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense for the year ended June 30, 2013 was charged to functions of the City as follows:

Governmental activities:	
Public safety	\$ 22,955
Public works	2,058,709
General government	6,970
Culture and recreation	80,270
Total governmental activities	<u>\$ 2,168,904</u>
Business type activities:	
Electric	\$ 514,543
Water	262,529
Sewer	713,304
Community center	29,935
Fitness center	20,196
Total business type activities	<u>\$ 1,540,507</u>

**NOTE 4 - LONG-TERM LIABILITIES**

A summary of transactions that occurred regarding bond and note obligations for the year ended June 30, 2013 as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds/notes	<u>\$4,350,000</u>	<u>\$ -</u>	<u>\$ 335,000</u>	<u>\$4,015,000</u>	<u>\$ 380,000</u>
<b>Business type activities:</b>					
Revenue bonds	<u>\$3,015,000</u>	<u>\$ -</u>	<u>\$ 320,000</u>	<u>\$2,695,000</u>	<u>\$ 340,000</u>
Term note	<u>4,866</u>	<u>-</u>	<u>3,203</u>	<u>1,663</u>	<u>1,663</u>
	<u>\$3,019,866</u>	<u>\$ -</u>	<u>\$</u>	<u>\$2,696,663</u>	<u>\$ 341,663</u>

General Obligation Bonds

One issue of general obligation bonds was paid off during the year; however, another issue of unmatured general obligation bonds, totaling \$4,015,000 was still outstanding at June 30, 2013. These bonds bear interest at rates ranging from 4.00% to 4.40% and mature in varying annual amounts from \$95,000 to \$520,000 with the final maturities due in the year ending June 30, 2027.

**CITY OF ELDRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)**

Details of the general obligation bonds payable at June 30, 2013 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2013</u>
GO Refunding Bonds, Series 2001	Nov. 15, 2001	4.00- 4.40%	June 1, 2013	\$ 95,000- 100,000	\$1,010,000	\$ -
GP Bonds, Series 2007	Nov. 15, 2007	4.00- 4.25%	June 1, 2027	105,000- 520,000	4,685,000	<u>4,015,000</u>
Total						<u>\$4,015,000</u>

A summary of the annual general obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 380,000	\$ 163,656	\$ 543,656
2015	495,000	148,456	643,456
2016	520,000	128,656	648,656
2017	175,000	107,856	282,856
2018	185,000	100,856	285,856
2019-2023	1,150,000	378,980	1,528,980
2024-2027	<u>1,110,000</u>	<u>118,885</u>	<u>1,228,885</u>
Totals	<u>\$ 4,015,000</u>	<u>\$1,147,345</u>	<u>\$5,162,345</u>

Capital Lease Payable

A summary of capital lease obligation at June 30, 2013 is as follows:

Capital lease payable to General Electric Credit Corp., due in annual installments of \$29,753, including interest at 4.38%, through July 2016, secured by truck	\$ 81,976
Less current portion	<u>26,163</u>
Lease payable, net of current portion	<u>\$ 55,813</u>

**CITY OF ELDRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)**

Annual maturities of capital lease obligations for each of the years subsequent to June 30, 2013 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 26,163	\$ 3,590	\$ 29,753
2015	27,309	2,444	29,793
2016	28,504	1,249	29,793
Totals	<u>\$ 81,976</u>	<u>\$ 7,283</u>	<u>\$ 89,259</u>

Revenue Bonds

Two issues of unmatured revenue bonds, totaling \$2,695,000 were outstanding at June 30, 2013. These bonds bear interest at rates ranging from 1.50% to 4.50% and mature in varying annual amounts from \$95,000 to \$335,000, with the final maturities due in the year ending June 30, 2021.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- a) The bonds will only be redeemed from the future earnings of the water, sewer, and electric enterprise activity and the bond holders have a lien on the future earnings of the funds.
- b) Sufficient water, sewer, and electric rates will be imposed to maintain a net revenue balance equal to at least 125% of the annual payments of principal and interest coming due in the same year.
- c) Monthly transfers shall be made to water, sewer, and electric improvement funds until specific minimum balances have been accumulated. These balances are restricted solely for the purpose of paying principal and interest on the bonds.
- d) An electric debt reserve fund will be maintained in an amount equal to the lesser of the maximum annual amount of principal and interest coming due on the bonds in any succeeding fiscal year, 10% of the original principal amount of the bonds or 125% of the average annual principal and interest coming due on the bonds.
- e) A water debt reserve fund will be maintained in an amount equal to the lesser of 10% of the stated principal amount of the bonds, the maximum annual amount of principal and interest coming due on the bonds in any succeeding fiscal year, or 125% of the average annual principal and interest coming due on the bonds.

During the year ended June 30, 2013, the City was in compliance with the revenue bond provisions.

**CITY OF ELDRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)**

Revenue Bonds (Continued)

Details of the revenue bonds payable at June 30, 2013 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2013</u>
Water Revenue Bonds, Series 2010	May 27, 2010	1.50- 3.40%	June 1, 2017	\$ 95,000- 115,000	\$ 705,000	\$ 420,000
Electric Revenue Bonds, Series 2006	Aug. 29, 2006	4.375- 4.50%	June 1, 2021	\$ 205,000- 335,000	\$3,665,000	<u>\$2,275,000</u>
Total						<u>\$2,695,000</u>

A summary of the annual obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 340,000	\$ 112,510	\$ 452,510
2015	350,000	99,610	449,610
2016	365,000	85,973	450,973
2017	390,000	71,448	461,448
2018	290,000	55,506	345,506
2019-2021	<u>960,000</u>	<u>87,369</u>	<u>1,047,369</u>
Totals	<u>\$2,695,000</u>	<u>\$ 512,416</u>	<u>\$3,207,416</u>

**CITY OF ELDRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)**

Term Note

A summary of the term note agreement at June 30, 2013 is as follows:

US Bank, single advance term loan dated December 3, 2010, payable in monthly installments of \$281 each, including interest at 4.75% through December 3, 2013, secured by fitness center equipment.	\$ 1,663
Less current portion	<u>1,663</u>
Note payable, net of current portion	<u><u>\$ -</u></u>

Annual maturities of note payable obligations for each of the years subsequent to June 30, 2013 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ <u>1,663</u>	\$ <u>21</u>	\$ <u>1,684</u>

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 5 - INTERFUND LOANS/ADVANCES/TRANSFERS**

The city's cash management procedures occasionally result in short-term advances between funds that are repaid upon City Board approval from future revenues.

At June 30, 2013, interfund advances were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Road Use Tax Fund	Sales Tax Project fund	\$ 60,615
General Fund	Blackhawk Trail TIF Area Fund	5,436
Sales Tax Project	Hotel Tax	<u>4,585</u>
		<u>\$ 70,636</u>

Such interfund advances are not reported as operating transfers.

Interfund transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

A summary of interfund transfers that occurred during the year ended June 30, 2013 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Nonmajor Governmental Fund:	\$ 6,800
Proprietary Fund:	Eldridge Unified TIF District	
Fitness Center Fund		15,000
Major Special Revenue:		
Road Use Tax		<u>213,715</u>
		<u>235,515</u>
Nonmajor Governmental Funds	Major Special Revenue:	
	Road Use Tax Fund	25,000
	Sales Tax Projects Fund	234,000
	Proprietary Fund:	
	Sewer Fund	57,200
	Nonmajor Government Fund:	
	Eldridge Unified TIF District	<u>424,960</u>
		<u>741,160</u>
Proprietary Fund:	Proprietary Fund:	
Electric Fund	Water Fund	<u>3,100</u>
Total		<u>\$ 979,775</u>

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 6 - PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered payroll except for police employees, in which case the percentages are 6.84% and 10.27%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$150,254, \$134,536, and \$116,852, respectively, equal to the required contribution for each year.

The City has no other postemployment benefits available to employees in addition to the retirement benefits paid under the IPERS plan described above.

**NOTE 7 - COMPENSATED ABSENCES**

The City's liability for compensated absences at June 30, 2013 is as follows:

<u>Type of Benefit</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Personal	\$ 18,512	\$ 16,041	\$ 34,553
Vacation	37,666	37,315	74,981
Compensatory Time	6,092	4,314	10,406
Sick Leave	82,018	61,672	143,690
Totals	<u>\$ 144,288</u>	<u>\$ 119,342</u>	<u>\$ 263,630</u>

The City maintains accrued leave reserves to offset the approximate liability for compensated absences. Employees may earn up to 160 hours per year of vacation, depending on years of service. Employees may carry a maximum of 80 hours to the subsequent anniversary year. Any unused vacation accumulated above these limits is forfeited. The City's sick leave policy allows its employees to accumulate up to 720 hours of sick leave which is payable when used or a maximum of 280 hours which is payable upon retirement or disability. No leave is paid when employment is terminated for any other reason. Employees earn 40 hours of personal leave per year and may accumulate up to 80 hours of personal leave. Employees may enter into an agreement with the City to earn compensatory time rather than being paid overtime for additional hours over 40 per week worked. Employees can accumulate up to 40 hours of compensatory time.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 8 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 9 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 17, 2013, the date the financial statements were available for issuance.

This information is an integral part of the accompanying financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ELDRIDGE, IOWA**  
**BUDGET COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CASH BASIS) -**  
**GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
**Year Ended June 30, 2013**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>	<b>Total Actual</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budget to Actual Variance</b>
<b>RECEIPTS</b>						
Property tax	\$ 1,874,658	\$ -	\$ 1,874,658	\$ 1,862,327	\$ 1,862,327	\$ 12,331
Tax increment financing	792,267	-	792,267	783,837	783,837	8,430
Other taxes	918,818	-	918,818	722,618	722,618	196,200
Licenses and permits	124,631	-	124,631	91,900	91,900	32,731
Use of money and property	106,908	7,798	114,706	32,500	32,500	82,206
Intergovernmental	563,124	-	563,124	583,844	583,844	(20,720)
Charges for services	527,952	6,602,581	7,130,533	7,639,102	7,639,102	(508,569)
Miscellaneous	2,793	30,171	32,964	161,100	161,100	(128,136)
Total receipts	<u>4,911,151</u>	<u>6,640,550</u>	<u>11,551,701</u>	<u>11,877,228</u>	<u>11,877,228</u>	<u>(325,527)</u>
<b>DISBURSEMENTS</b>						
Public safety	961,006	-	961,006	1,103,821	1,123,821	162,815
Public works	823,038	-	823,038	1,024,346	1,174,346	351,308
Culture and recreation	374,968	-	374,968	634,399	710,399	335,431
Community and economic development	173,239	-	173,239	74,848	224,848	51,609
General government	333,602	-	333,602	316,378	396,378	62,776
Debt service	515,738	-	515,738	636,797	636,797	121,059
Capital projects	1,397,123	-	1,397,123	1,908,082	2,048,082	650,959
Business type activities		5,747,411	5,747,411	7,113,870	7,213,870	1,466,459
Total disbursements	<u>4,578,714</u>	<u>5,747,411</u>	<u>10,326,125</u>	<u>12,812,541</u>	<u>13,528,541</u>	<u>3,202,416</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<u>332,437</u>	<u>893,139</u>	<u>1,225,576</u>	<u>(935,313)</u>	<u>(1,651,313)</u>	<u>2,876,889</u>
<b>OTHER FINANCING SOURCES (USES) NET</b>	<u>42,200</u>	<u>(42,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>374,637</u>	<u>850,939</u>	<u>1,225,576</u>	<u>(935,313)</u>	<u>(1,651,313)</u>	<u>2,876,889</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>2,724,489</u>	<u>5,028,926</u>	<u>7,753,415</u>	<u>8,551,022</u>	<u>8,551,022</u>	<u>(797,607)</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 3,099,126</u>	<u>\$ 5,879,865</u>	<u>\$ 8,978,991</u>	<u>\$ 7,615,709</u>	<u>\$ 6,899,709</u>	<u>\$ 2,079,282</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**BUDGET TO GAAP RECONCILIATION**  
**GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
**Year ended June 30, 2013**

	<u>Governmental Funds</u>			<u>Proprietary Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Receipts/revenues	\$ 4,911,151	\$ (71,983)	\$ 4,839,168	\$ 6,640,550	\$ (49,606)	\$ 6,590,944
Expenditures/expenses	<u>4,578,714</u>	<u>(18,456)</u>	<u>4,560,258</u>	<u>5,747,411</u>	<u>1,125,764</u>	<u>6,873,175</u>
Net	332,437	(53,527)	278,910	893,139	(1,175,370)	(282,231)
Other financing sources and transfer, net	42,200	-	42,200	(42,200)	-	(42,200)
Beginning fund balances/ Net position	<u>2,724,489</u>	<u>323,864</u>	<u>3,048,353</u>	<u>5,028,926</u>	<u>39,853,563</u>	<u>44,882,489</u>
Ending fund balances/ Net position	<u>\$ 3,099,126</u>	<u>\$ 270,337</u>	<u>\$ 3,369,463</u>	<u>\$ 5,879,865</u>	<u>\$ 38,678,193</u>	<u>\$ 44,558,058</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –**  
**BUDGETARY REPORTING**  
**Year Ending June 30, 2013**

The budgetary comparison is presented as required supplementary information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized in the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based on nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service funds, capital projects funds, and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund or fund type. During the year, two budget amendments increased budgeted disbursements by \$716,000. These budget amendments are reflected in the final budgeted amounts.

## **SUPPLEMENTARY INFORMATION**

**CITY OF ELDRIDGE, IOWA**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2013**

	<u>Special Revenue</u>	
	<u>Hotel Tax Fund</u>	<u>Eldridge Unified TIF District Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 39,236	\$ 359,372
Receivables:		
Property tax		
Current year	-	(507)
Succeeding year	-	-
Due from other funds	<u>4,585</u>	<u>5,436</u>
Total assets	<u>\$ 43,821</u>	<u>\$ 364,301</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ -
Accrued interest payable		
Due to other funds	-	-
Deferred revenue:		
Succeeding year property tax	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>		
Restricted for:		
Community programs and services	43,821	-
Debt service	-	-
Urban renewal	-	364,301
Committed for:		
Capital improvements	<u>-</u>	<u>-</u>
Total fund balances	<u>43,821</u>	<u>364,301</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 43,821</u>	<u>\$ 364,301</u>

## Schedule 1

Capital Projects			
Capital Improvement Fund	Street Projects Fund	Debt Service Fund	Total
\$ 92,250	\$ 433,624	\$ 47,425	\$ 971,907
-	-	-	(507)
-	-	39,806	39,806
-	-	-	10,021
<u>\$ 92,250</u>	<u>\$ 433,624</u>	<u>\$ 87,231</u>	<u>\$ 1,021,227</u>
\$ 1,202	\$ -	\$ -	\$ 1,202
-	-	16,959	16,959
-	-	-	-
-	-	39,809	39,809
<u>1,202</u>	<u>-</u>	<u>56,768</u>	<u>57,970</u>
-	-	-	43,821
-	-	30,463	30,463
-	-	-	364,301
<u>91,048</u>	<u>433,624</u>	<u>-</u>	<u>524,672</u>
<u>91,048</u>	<u>433,624</u>	<u>30,463</u>	<u>963,257</u>
<u>\$ 92,250</u>	<u>\$ 433,624</u>	<u>\$ 87,231</u>	<u>\$ 1,021,227</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2013**

	<u>Special Revenue</u>	
	<u>Hotel Tax Fund</u>	<u>Eldridge Unified TIF District Fund</u>
<b>REVENUES</b>		
Property tax	\$ -	\$ -
Tax increment financing	-	790,596
Other taxes	40,153	-
Miscellaneous	-	-
Total revenues	<u>40,153</u>	<u>790,596</u>
<b>EXPENDITURES</b>		
Operating:		
Public safety	-	-
Culture and recreation	3,000	-
Community and economic development	-	102,182
Debt service	-	-
Capital projects	38,490	-
Total expenditures	<u>41,490</u>	<u>102,182</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,337)</u>	<u>688,414</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	-	-
Operating transfers out	-	(660,475)
Total other financing sources (uses)	<u>-</u>	<u>(660,475)</u>
<b>NET CHANGES IN FUND BALANCES</b>	(1,337)	27,939
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>45,158</u>	<u>336,362</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 43,821</u>	<u>\$ 364,301</u>

## Schedule 2

Capital Projects			
Capital Improvement Fund	Street Projects Fund	Debt Service Fund	Total
\$ -	\$ -	\$ 37,062	\$ 37,062
-	-	-	790,596
-	3,837	-	43,990
2,360	-	-	2,360
<u>2,360</u>	<u>3,837</u>	<u>37,062</u>	<u>874,008</u>
-	-	-	-
-	-	-	3,000
-	-	-	102,182
-	-	513,574	513,574
41,666	888	-	81,044
<u>41,666</u>	<u>888</u>	<u>513,574</u>	<u>699,800</u>
(39,306)	2,949	(476,512)	174,208
60,000	204,760	476,400	741,160
-	-	-	(660,475)
<u>60,000</u>	<u>204,760</u>	<u>476,400</u>	<u>80,685</u>
20,694	207,709	(112)	254,893
70,354	225,915	30,575	708,364
<u>\$ 91,048</u>	<u>\$ 433,624</u>	<u>\$ 30,463</u>	<u>\$ 963,257</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF ELDRIDGE, IOWA**  
**SCHEDULE OF REVENUES BY SOURCES AND EXPENDITURES BY FUNCTION -**  
**ALL GOVERNMENTAL FUNDS FOR THE LAST EIGHT YEARS**

	<b>Modified Accrual Basis</b>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>			
Property tax	\$ 1,869,454	\$ 1,772,193	\$ 1,720,593
Tax increment financing	790,596	789,653	544,048
Other taxes	853,710	837,367	729,757
Licenses and permits	124,631	99,127	114,398
Use of money and property	50,042	47,595	47,499
Intergovernmental	563,124	1,096,587	623,767
Charges for services	527,952	515,767	435,785
Miscellaneous	59,659	100,199	31,009
	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,839,168</u>	<u>\$ 5,258,488</u>	<u>\$ 4,246,856</u>
<b>EXPENDITURES</b>			
Operating:			
Public safety	\$ 961,658	\$ 904,303	\$ 822,089
Public works	804,455	790,725	781,744
Culture and recreation	375,264	338,282	307,703
Community and economic development	173,309	241,889	248,406
General government	333,673	329,062	350,137
Debt service	513,574	426,651	549,917
Capital projects	1,398,325	1,580,138	1,368,181
	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,560,258</u>	<u>\$ 4,611,050</u>	<u>\$ 4,428,177</u>

## Schedule 3

2010	2009	2008	2007	2006
\$ 1,616,973	\$ 1,518,513	\$ 1,424,081	\$ 1,362,577	\$ 1,268,026
456,173	504,799	256,816	333,971	491,543
699,409	723,006	756,938	729,709	716,783
106,688	114,074	107,579	160,630	144,336
49,529	75,566	148,125	167,674	134,750
446,256	403,566	415,278	407,598	409,046
417,246	383,686	379,301	334,206	208,551
95,473	151,690	287,603	183,336	332,895
<u>\$ 3,887,747</u>	<u>\$ 3,874,900</u>	<u>\$ 3,775,721</u>	<u>\$ 3,679,701</u>	<u>\$ 3,705,930</u>
\$ 703,596	\$ 778,645	\$ 711,247	\$ 706,876	\$ 682,575
784,182	849,129	1,208,859	1,040,989	520,029
283,197	328,886	356,669	344,664	232,845
200,039	140,135	68,820	55,373	47,912
274,182	279,087	500,616	621,626	673,350
665,977	662,043	432,333	213,336	223,840
1,541,288	1,206,862	813,190	262,939	219,226
<u>\$ 4,452,461</u>	<u>\$ 4,244,787</u>	<u>\$ 4,091,734</u>	<u>\$ 3,245,803</u>	<u>\$ 2,599,777</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and  
Members of the City Council  
City of Eldridge, Iowa:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Eldridge, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City of Eldridge, Iowa's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Eldridge's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Eldridge, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Eldridge's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the Part II of the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eldridge, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City of Eldridge, Iowa's operations for the year ended June 30, 2013, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## City of Eldridge, Iowa's Responses to Findings

The City of Eldridge, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Eldridge, Iowa's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City of Eldridge, Iowa's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Eldridge, Iowa's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Eldridge, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Miner, Gregory E. Meade CPA PC*

Clinton, Iowa  
December 17, 2013

**CITY OF ELDRIDGE, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2013**

**Part I: Summary of Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements
- (d) The City of Eldridge, Iowa was not required to have an audit in accordance with the Office of Management and Budget Circular A-133.

**Part II: Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICENCIES**

**II-A-13 Segregation of Duties**

Finding: The City of Eldridge, Iowa has a limited number of employees responsible for posting, updating, and maintain the general ledger and subsidiary ledgers. From a control standpoint, this combination of responsibilities does not effectively segregate duties to prevent, or detect and correct misstatements on a timely basis.

Recommendation: We realize segregation of duties is difficult with the limited number and capabilities of office personnel. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. In addition, close supervision and review of financial information by the City Administrator, Council Members, and Board Trustees can help mitigate this condition.

Response and Corrective Action Planned: Certain duties will continue to be rotated among available personnel as feasible. Additionally, cross-training will continue to take place.

Conclusion: Response accepted.

**II-B-13 Preparation of Financial Statements**

Finding: The City of Eldridge, Iowa does not have an internal control system designed to provide for preparation of the financial statements. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population and staff size to the City of Eldridge. It is the responsibility of management and those charged with governance to make the decision to accept the degree of risk associated with this condition.

Recommendation: We realize that obtaining the expertise necessary to preparing financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those in charge with governance should decide whether to accept the degree of risk associated with this condition.

Response and Corrective Action Planned: The City will continue to review and monitor procedures currently in place, and explore options to educate and train staff to help mitigate the risks associated with the preparation of the annual financial statements.

Conclusion: Response accepted.

**CITY OF ELDRIDGE, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2013**

**Part III: Other Findings Related to Required Statutory Reporting**

**III-A-13 Certified Budget**

Finding: Disbursements during the year ended June 30, 2013 did not exceed the amount budgeted in accordance with Chapter 384.20 of the Code of Iowa, which states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

**III-B-13 Questionable Expenditures**

Finding: No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**III-C-13 Travel Expenses**

Finding: No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**III-D-13 Business Transactions.**

Finding: No business transactions between the City and City officials or employees were noted.

**III-E-13 Bond Coverage**

Finding: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

**III-F-13 Council Minutes**

Finding: No transactions were found that we believe should have been approved in the Council or Utility Boards minutes but were not.

**III-G-13 Deposits and Investments**

Finding: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**III-H-13 Revenue Bonds**

Finding: The City has established the sinking reserve funds as required by revenue bonds provisions.